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letter of 19 October 1978 from the
Director of Central Intelligence to the
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PAGES 2

SUPPLEMENT

COUNTRY Hungary

SUBJECT Hungarian Nationalist Plot

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ORIGIN

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the plot to overthrow the Hungarian Republic must be isolated from such communist activities, started before the signing of the Peace Treaty, as the attempts to curtail electoral rights, to reduce the Small Holder Party majority in the Coalition, and to tighten Communist Party control of the Government before the Red Army withdrawal from Hungary.

25X1X 2.

There are three categories of persons accused in the conspiracy--those who organized it (quite naively in [redacted]), those who were used by the conspirators, and those whom the Communists are endeavoring to implicate by any means.

3.

25X1X considers it unfortunate that the "Committee of Seven", and Domonkos Szent-
ivanyi in particular, recorded their activities, and that these records fell into
the hands of the police. The conspirators drew up lists of the personnel they
succeeded in "planting"; they recorded their satisfaction over results obtained
through the Small Holders Party; and they disseminated slanderous leaflets.
References were found in the Szentivanyi notes to the effect that the "Committee
of Seven" decided to support Prime Minister Nagy against President Zoltan Tildy
during the presidential elections, and then switch over to the support of Bela
Kovacs, the Secretary General of the Small Holders Party.

4.

Kovacs, the Secretary General of the Small Holders Party, told me that there was a conspiracy and that it was clear that the Small Holders Party could not protect an organization which "denied the legality of the Republic". The conspirators initiated new members with mystic ceremonies and imposed on them an eight months testing period. An official by the name of Lukacs even went around the country swearing in new members. Applicants were accepted only if they could prove their pure Hungarian ancestry for a minimum of three generations.

5.

The Communists had knowledge of the conspiracy for several months but they have delayed its disclosure for two reasons: they wanted to reveal it at the time of the signing of the Peace Treaty, and they felt that the Small Holders were not willing to solve the political crisis to the liking of the Communists, namely by the reduction of their own majority.

6.

The most likely informer was the Small Holder Deputy László Gyulay. He was at first not molested, although he was known to be close to Bálint Arany, a key figure in the plot. It is also known that Gyulay had been interrogated by Gabor Peter, head of the Hungarian Political Police, months before his Parliamentary

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CENTRAL INTELLIGENCE GROUP

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immunity was waived. Gyulay's name came up again in recent days when members of the Small Holders Party talked openly of him as a traitor. He has since been arrested.

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7. [REDACTED] maintains that Kalman Salata, the Small Holders Party Deputy who disappeared just before he was ousted from Parliament, was, in fact, arrested before Parliament agreed to his release, but that the arrest will not be made public until a later date.
8. All those who were suspect displayed a bad case of nerves. For example, Salata declared before the Political Committee of the Small Holders Party that he would not vouch for his own discretion unless the Party protected him.
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9. [REDACTED] believes that a reconstruction of the Government is not contemplated, at least not on a large scale. Nagy will be backed by his Party at all costs. Small Holder Party leaders agree on refusing to protect the conspirators and on steering clear of the whole affair. To achieve this end, the Party will take the lead in helping to clarify the plot and will demand that the case be brought before a public court as quickly as possible. The Party will attempt to isolate itself from the conspiracy and at the same time assert an unchanged Small Holders policy.
10. The Small Holders Party now has only the weapon of public opinion. [REDACTED] maintains that the Party must demand the liquidation of the entire affair. He thinks the possibility of a Communist coup d'etat are nil at the present time because the atmosphere of current and forthcoming international conferences is not suitable for it.
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11. Regardless of the conspiracy, [REDACTED] thinks some cleansing and regrouping within the Small Holders Party has become unavoidable. There is no question of the elimination of sixty deputies but only of three or four. A number of replacements must be made in addition, but a Party majority must be maintained.
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12. [REDACTED] considers it obvious that the Communists will not be able to resist demands for a public hearing and that the Small Holders Party can emerge out of this "really critical situation" if they are clever and act quickly.
13. The so-called left-wing of the Small Holders Party is having its triumph now, but Ernő Mihályfi, who has just been appointed Minister of Information to replace József Bognár, and Gyula Ortutay, the Director of Radio, are the only ones whose word carries weight within the Party. The leader of the left-wing is Imre Oltványi, former Minister of Finance and ex-President of the Hungarian National Bank. [REDACTED] claims he is a secret member of the Communist Party. He is promoting himself as Prime Minister Designate and promises portfolios to everybody, even to Padányi-Gulyás, a journalist [REDACTED]. He is said to have originated the rumors of Prime Minister Nagy's resignation which have no foundation in fact. He also speaks of Ferenc Nagy Jr. and his involvement in the plot. The most popular man in the Party is Zoltán Pfeiffer, former State Secretary in the Ministry of Justice who resigned recently because of Communist attacks.

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